

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Owosso Downtown Development Authority</u>	County Shiawassee County
Audit Date 6/30/05	Opinion Date 11/23/05	Date Accountant Report Submitted To State: 12/20/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 1111 Michigan Avenue	City East Lansing	State MI	ZIP 48823
Accountant Signature 			

# **Owosso Downtown Development Authority**

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**Financial Report  
with Supplemental Information  
June 30, 2005**

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# Owosso Downtown Development Authority

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## Independent Auditor's Report

To the Board  
Owosso Downtown Development Authority

We have audited the accompanying basic financial statements of the Owosso Downtown Development Authority (a component unit of the City of Owosso, Michigan), as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Owosso Downtown Development Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Owosso Downtown Development Authority as of June 30, 2005, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the budgetary comparison schedule, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying basic financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Plante & Moran, PLLC*

November 23, 2005

# Owosso Downtown Development Authority

## Balance Sheet - Statement of Net Assets June 30, 2005

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Assets - Full Accrual
<b>Assets</b>			
Cash and cash equivalents (Note 4)	\$ 10,694	\$ -	\$ 10,694
Accounts receivable	<u>5,604</u>	<u>-</u>	<u>5,604</u>
Total assets	<u><b>\$ 16,298</b></u>	-	16,298
<b>Liabilities</b> - Accounts Payable	\$ 9	-	<u>9</u>
<b>Fund Balance</b> - Unreserved	<u>16,289</u>	<u>(16,289)</u>	
Total liabilities and fund balance	<u><b>\$ 16,298</b></u>		
<b>Net Assets</b> - Unrestricted		<u><b>\$ 16,289</b></u>	<u><b>\$ 16,289</b></u>

# Owosso Downtown Development Authority

## Statement of Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities Year Ended June 30, 2005

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
<b>Revenue</b>			
Property taxes:			
Ad valorem tax levy	\$ 30,181	\$ -	\$ 30,181
Tax increment capture	327,998	-	327,998
Interest	67	-	67
Other	783	-	783
Total revenue	359,029	-	359,029
<b>Expenditures</b>			
Professional services	3,870	-	3,870
Operating supplies and other	15,633	-	15,633
Contractual services	22,474	-	22,474
Advertising	1,170	-	1,170
Capital outlay	49,345	-	49,345
Contribution to the City of Owosso's Debt Service Fund (Note 5)	265,921	-	265,921
Total expenditures	358,413	-	358,413
<b>Change in Fund Balance - Net Assets</b>	616	-	616
<b>Fund Balance/Net Assets</b>			
Beginning of year	15,673	-	15,673
End of year	<u>\$ 16,289</u>	<u>\$ -</u>	<u>\$ 16,289</u>

# Owosso Downtown Development Authority

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## Notes to Financial Statements June 30, 2005

### **Note 1 - Organization**

The Authority was created, effective July 19, 1977, by Ordinance No. 331 of the City of Owosso, Michigan pursuant to Act. No. 197 of the Public Acts of 1975 of the State of Michigan. The Authority may levy an ad valorem tax, not exceeding two (2) mills, on all taxable property in the downtown district. The tax is used for operations of the Authority and planning of improvements in the downtown district. In addition, the Authority may capture the tax levy resulting from any increase in assessed values within the downtown district to be used to finance the development of the downtown area. The Authority's governing body, which consists of nine individuals, is selected by the City Council.

### **Note 2 - Summary of Significant Accounting Policies**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to local governmental units. The following is a summary of the more significant policies:

#### **Reporting Entity**

The Owosso Downtown Development Authority is a component unit of the City of Owosso, Michigan. Its basic financial statements are included in the City's general purpose financial statements because the majority of the governing body is appointed by the City.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenue and expenditures are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Authority uses the modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

In addition to presenting information on the modified accrual basis, the financial statements present information for the Authority using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

# Owosso Downtown Development Authority

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## Notes to Financial Statements June 30, 2005

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

**Property Taxes** - Ad valorem property taxes are levied and collected by the City of Owosso, Michigan as a part of, but in addition to, the regular city tax levy. The ad valorem tax in the special district is not to exceed 2 mills and can only be used for the operations of the Authority. In addition, the Authority has created a Tax Increment Financial District whereby the Authority captures all taxes collected in the district which result from the increase in the district's assessed value from its initial assessed value of 1984. The captured tax increment can only be used for the development of the downtown area.

The 2004 taxable valuation of the DDA totaled \$23.7 million (a portion of which is not captured from all jurisdictions), on which taxes levied consisted of 1.9623 mills for operating purposes. This resulted in \$358,179 for operating purposes. These amounts are recognized as property tax revenue.

### **Note 3 - Budget Information**

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement is presented on an activity basis. A comparison of actual results of operations to the budget included in the basic financial statements shows line item activity, which is in greater detail than the actual budget as adopted by the City Council.

### **Note 4 - Cash and Cash Equivalents**

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Downtown Development Agency had deposits with a bank balance of \$10,869, of which all was covered by federal depository insurance.



# Owosso Downtown Development Authority

## Notes to Financial Statements June 30, 2005

### Note 5 - Related Party Transactions

The contributions to the City of Owosso's Debt Service Fund of \$265,921 represent taxes captured from the Tax Increment Financing District and transferred to the City for the retirement of debt issued to finance the construction of parking lots.

### Note 6 - Commitments

Under its pledge to the City, the DDA transfers amounts annually to pay the principal and interest on the City of Owosso general obligation bonds. The annual requirements to service these bonds as of June 30, 2005, including both principal and interest, are shown below.

	Governmental Activities		
	Principal	Interest	Total
2006	\$ 145,000	\$ 21,645	\$ 166,645
2007	65,000	15,138	80,138
2008	70,000	11,255	81,255
2009	75,000	7,013	82,013
2010	80,000	2,400	82,400
Total	<u>\$ 435,000</u>	<u>\$ 57,451</u>	<u>\$ 492,451</u>

## **Required Supplemental Information**

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# Owosso Downtown Development Authority

## Required Supplemental Information Budgetary Comparison Schedule June 30, 2005

	Current Year - Modified Accrual			
	Originally Adopted Budget	Amended Budget	Actual	Variance
<b>Revenue</b>				
Property taxes:				
Ad valorem tax levy	\$ 30,500	\$ 30,350	\$ 30,181	\$ (169)
Tax increment capture	330,725	328,075	327,998	(77)
Interest	-	50	67	17
Other	-	1,300	783	(517)
Total revenue	361,225	359,775	359,029	(746)
<b>Expenditures</b>				
Professional services	5,500	5,500	3,870	1,630
Operating supplies and other	3,000	3,000	15,633	(12,633)
Contractual services	21,700	21,675	22,474	(799)
Advertising	300	1,500	1,170	330
Capital outlay	64,675	65,000	49,345	15,655
Contributions to the City of Owosso's Debt Service Fund (Note 5)	266,050	265,700	265,921	(221)
Total expenditures	361,225	362,375	358,413	3,962
<b>Excess of Revenue Over (Under) Expenditures</b>	-	(2,600)	616	3,216
<b>Fund Balance - Beginning of year</b>	15,673	15,673	15,673	-
<b>Fund Balance - End of year</b>	<u>\$ 15,673</u>	<u>\$ 13,073</u>	<u>\$ 16,289</u>	<u>\$ 3,216</u>